largely because of its unique demographic characteristics. Pennsylvania's population is relatively elderly[2] and immobile,[3] with more people residing in rural areas than any other state in the country. Pennsylvania has a higher percentage of its population on Social Security and a smaller percentage below the poverty level than the national average. All of these factors led to a high penetration level.

Other factors, unrelated to Chapter 64, are likely contributors to the increased penetration since 1984. For example, measured usage plans became available which afford a lower-priced alternative to flat-rated service for customers who place relatively few local calls.[4] Bell Atlantic-Pennsylvania, Inc. also began to offer a low-priced voluntary toll restriction service.

On the other hand, the Chapter 64 program is costly. Regulations in Pennsylvania require Bell Atlantic to apply partial payments to basic local service, toll, and non-basic services, in that order, and to terminate local service only if the customer's payments are insufficient to cover the local portion of the bill. Before terminating service, however, Bell Atlantic must in most instances offer the customer an extended payment plan, and, if the customer accepts, local basic service must be maintained. Local service may then be denied only if the customer fails to meet his or her payment commitments, and then only after an additional protracted period of notice and negotiation. As a result of all these requirements, uncollectables in Pennsylvania are the second highest of any state in the country, having increased 393% since Chapter 64 became effective in 1985, and administrative costs have risen by over $24 million per year.

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[2] Edwin R. Byerly and Kevin Deardoff, ***National and State Population Estimates: 1990 to 1994***, Pub. No. P25-1127, U.S. Bureau of the Census (1995).

[3] Census Bureau Data Reported by Claritas, Inc.

[4] Over 27% of Bell Atlantic-Pennsylvania's residential customers subscribe to one of these plans. Other Bell Atlantic jurisdictions have similar measured service plans.

Delaware

In 1991, Delaware instituted a toll denial program somewhat similar to that in Pennsylvania. Since that program began, subscriber penetration in Delaware has remained fairly constant, starting at 96.0% in 1990, the year before the program began, increasing to 96.4% in 1991, dropping to 95.5% in 1994, and finally reaching 96.1% in March, 1995.[5] During the same period, Bell Atlantic's uncollectables in Delaware have risen 159%. The toll denial plan, therefore, added nothing to subscriber penetration, but it did contribute to higher costs to ratepayers, interexchange carriers, and Bell Atlantic.

District of Columbia

The District of Columbia, with very different demographics from the states discussed above, has tried other approaches. D.C. is an entirely urban jurisdiction. Its population is relatively young and highly mobile, with an ethnically diverse population, including a large number of immigrants. The District also has high unemployment and a large number of individuals below the federal poverty level. The population includes many homeless persons and others who are in short-term rental housing. With these demographics, it is not surprising that subscribership in the District is lower than in other Bell Atlantic jurisdictions, although it is higher than in ten other states. The D.C. Public

[5] Monitoring Report and Census Surveys. These changes are well within the margin of error of the study and are, therefore, statistically insignificant.

Service Commission has prescribed lifeline rates of $3.00 (for qualified low income families) or $1.00 (for low-income elderly), funded by other ratepayers. D.C. also has a special service for customers whose local service has been disconnected for non-payment of either local or toll bills, or are on the verge of being disconnected. This service includes mandatory toll restriction.

The District's program has had fair results to date. Subscribership in the District declined from nearly 95% in 1984 to 90% in 1994, a decline attributable in part to the significant middle class population shift from the city to the suburbs during that period. After the measures discussed above were adopted, telephone penetration began to improve, increasing to 92% in March, 1995.[6] Bell Atlantic is continuing to work with the Public Service Commission and community groups to find other ways to increase subscribership. These include educational efforts and making telephones and voice mailboxes available in homeless shelters and other community access points.

[6] Census Surveys and Monitoring report.

Virginia

Virginia has the highest subscriber penetration in Bell Atlantic and the fifth highest in the United States at 96.9% in March 1995.[7] In addition, subscribership in Virginia has increased over time at a higher rate than the national average.[8] Yet Virginia's program is relatively simple - a low local service rate for individuals who qualify by being on Medicaid or Food Stamp programs, coupled with a voluntary community education program consisting of the distribution of informational brochures and a video informing senior citizens of available telephone services and how best to use them. Administering this program is relatively inexpensive and Bell Atlantic's uncollectable rate in Virginia has not increased significantly. Virginia's experience shows that complex programs with high administrative costs and soaring uncollectables may not always be the appropriate means of increasing subscribership.

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[7] Census Surveys.

[8] Subscribership in Virginia increased 3.9% from 1984-March 1995, compared to a nationwide average increase of 2.3%.

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Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules	)	
and Policies to Increase Subscribership and	)	CC Docket No. 95-115
Usage of the Public Switched Network	)	

REPLY COMMENTS OF BELL ATLANTIC[1]

The overwhelming majority of commenters -- including a cross-section of local exchange carriers, interexchange carriers, state commissions, and others -- agree that the issues raised in the Notice[2] are best addressed at the state level. Overall, subscribership is at a high level. To the extent there are pockets of low penetration within some states, the record shows that the reasons for low subscribership vary widely, and states are in the best position to target policies and programs to the need. By contrast, a nationwide mandate may not remedy the targeted problem, but it would cost consumers and carriers millions in implementation costs, uncollectables, and administrative expenses.

The few parties that urge the Commission to impose nationwide regulations ignore the social costs to the many that would result from rules that benefit

[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

[2] ***Notice of Proposed Rulemaking***, FCC No. 95-281, CC Docket 95-115 (rel. July 20, 1995) ("Notice").

only a very few. Most telephone subscribers pay their bills on time. Most of the rest are able to work out mutually-acceptable payment arrangements, and Bell Atlantic and other exchange carriers try to accommodate their needs. Broad regulations, such as a prohibition on denial of local service for non-payment of toll bills ("DNP"), even when imposed on a state-wide basis, harm the vast majority of consumers by causing bad debt to soar[3] and pushing administrative costs through the roof.[4] DNP prohibitions have also become an open invitation for fraud, as unscrupulous subscribers use loopholes in the law to avoid paying for the services they enjoy.[5]

All this despite statistics showing that high toll bills are frequently not the root cause of may customers' difficulties. For example, Bell Atlantic recently sampled its Pennsylvania customers whose local service was disconnected for non-payment and found that some 70% had only $20.00 or less in unpaid toll calls prior to disconnection, while nearly 45% had no pending toll charges at all. In addition, Bell Atlantic-Pennsylvania's experience is that the percentage of customers who have had their toll service cut off for non-payment of long distance bills and later fail to pay their local bills is three times the percentage of all customers who fail to pay for local service. Therefore, in many instances, prohibiting disconnection of local service for non-payment of toll will serve only

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[3] ***See, e.g.,*** Comments of Pacific Bell and Nevada Bell on the Notice of Proposed Rulemaking at 18, MCI Comments at 15-16, Comments of OAN Services, Inc. at 3.

[4] ***See, e.g.,*** GTE's Comments at 35-37, Comments of Rochester Telephone Company at 4-6.

[5] ***See e.g.***, Comments of the Competitive Telecommunications Association at 4, GTE's Comments at Att. C.

to postpone the day when local service is cut off as well. Meanwhile, uncollectables continue to mount up.

Finally, there is no evidence of any correlation between prohibiting DNP and increased subscribership.[6] To the contrary, as pointed out in Bell Atlantic's opening comments, in Pennsylvania where DNP has been prohibited, the rate of subscriber growth has lagged behind that of other Bell Atlantic jurisdictions that continue to permit DNP and has trailed the national average.[7] Therefore, a Commission prohibition order, even if lawful, would result in the worst of both worlds. It would sharply increase the carriers' costs but would not increase subscribership.

Moreover, as Bell Atlantic has shown, the Commission does not have jurisdiction to prohibit states from denying local service.[8] Likewise, the Commission does not have the authority to mandate multiple-balance billing, as the Maine PUC proposes.[9] Moreover, requiring exchange carriers to isolate the billing of interstate calls from other services, would be expensive and of little value. Bell Atlantic does not, anywhere in its region, separately show billing for interstate and intrastate toll calls. To require such separate billing would mean that Bell Atlantic would need to divide the toll calls placed with each interexchange carrier for which it bills into interstate and intrastate. Such a

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[6] ***See, e.g.,*** Comments of Gateway Technologies, Inc. at 2-3.

[7] Comments of Bell Atlantic at 3

[8] *Id.* at 9-11.

[9] Letter dated September 26, 1995 from Christopher Simpson, Administrative Director, Maine Public Utilities Commission, to the Secretary, Federal Communications Commission, at 3-4.

process would be a useless exercise that would be unnecessary to comply with state DNP policies.

Moreover, the Commission has no authority to prescribe multiple balances, or other billing requirements, in connection with intrastate services, whether local or toll. In asserting jurisdiction over billing and collection of interstate services in 1986, the Commission invoked its Title I authority, arguing that billing and collection is "incidental" to interstate and foreign communications.[10] That authority does not, however, extend to billing for intrastate toll and local services, which Title I of the Act leaves to exclusive state jurisdiction.[11] Accordingly, the Commission has no authority to prescribe multiple-balance billing in connection with intrastate and local services.

Even if the Commission were to consider asserting such authority, it should not as a matter of policy attempt to preempt the states. Where states require such multiple-balance billing to implement their DNP policies, they have ample authority to do so. Where they find no need for carriers to show multiple balances, there is no justification for requiring carriers to undertake the expense of altering their billing systems to show multiple balances. This issue should be left to state determination.

Two new local exchange service providers point out that increased competition will offer new service choices, presumably including low-priced services, that

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[10] ***Detariffing of Billing and Collection Services, Report and Order***, 102 F.C.C. 2d 1150, ¶ 36 (1986), citing 47 U.S.C. §§ 152 (a) and 153 (a).

[11] ***See*** 47 U.S.C. § 152 (b).

themselves will increase subscribership.[12] Teleport also asks that Lifeline and Link-up assistance be available to customers who choose any local exchange provider, not just the incumbent provider.[13] This issue, too, should be left to the states, to be decided in concert with each state's competitive policies.

In the event the Commission does adopt any of the requirements proposed in the Notice, however, it should extend them to new local exchange competitors as well as incumbents.[14] New exchange entrants have been asking state commissions to treat them the same way as incumbent exchange carriers. If they want the benefits of equal treatment, including the access to low-income programs that Teleport seeks, they should be required to incur equal obligations, including any subscribership requirements that the Commission -- or a state -- imposes on exchange carriers.

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[12] Comments of MFS Communications Company, Inc. at 2-4, Comments of Teleport Communications Group Inc. ("Teleport") at 1-4.

[13] Teleport at 4-6.

[14] *See* GTE's Comments at 4.

The Commission should leave to the states programs aimed at increasing subscribership and should not adopt the nationwide programs that it proposed in the Notice.

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November 14, 1995

CERTIFICATE OF SERVICE

I hereby certify that on this 12th day of April, 1996 a copy of the foregoing "Comments of Bell Atlantic" was sent via first class mail, postage prepaid, to the parties on the attached list.

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